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LONDON TIMES, 2/18/70

Burroughs in 'Soviet breakthrough'

By KENNETH OWEN

A relaxation of the western embargo system for computer sales to the Soviet Union may be indicated if unofficial reports of a major sale by Burroughs are confirmed. According to these reports, five large B.5500 computers have been ordered, one of which may already be installed in Moscow.

If true, this would represent the sale of computers larger and faster than any previously exported to the Soviet Union from the west. (The B.5500 is midway in power between the I.B.M. 360/50 and the 360/65.) (The largest I.B.M. machine installed in east Europe to date is a 360/40 in Czechoslovakia.)

(The Russian B.5500s are expected to be supplied together with more than 50 L.2600 terminals. Soviet systems, programming and maintenance people have been receiving training at Burroughs, Detroit.)

Export licences for four large British computers ordered by the Soviet Union have not yet been granted by the Board of Trade. These comprise two I.C.L. 1900s for the Institute of High-energy Physics in Serpukhov, near Moscow; and two System 4/70, for Gosplan, the central Soviet planning agency, to replace an existing 4/50.

The difficulties of selling to east

Europe and to the Soviet Union in particular were described by Arthur Humphreys, managing director of International Computers, in evidence to a subcommittee of the Select Committee on Science and Technology last week. Because of the embargo system, he said, considerable "market subtlety" was required.

Soviet customers, Mr. Humphreys indicated, often insisted on ordering items which were not permitted under the embargo rules. As a result, I.C.L. was often not sure whether it had gained an order or not.

Over the next two to three months, he added, I.C.L. could get substantial Soviet business. "But we might not get it." The reported Burroughs order follows the setting-up by the company of an east European sales branch based in Freybourg, Switzerland.

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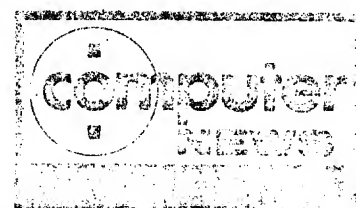
ICL-developed software for Polish machine

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This association could well lead to future sales of I.C.L. computers in Poland, since the 1304 uses transistors and is not as advanced as the third-generation 1900-series machines from I.C.L. The Polish computer could therefore have a relatively short life of perhaps three years, while generating a familiarity with 1900 software and a potential demand for the faster, more reliable British machines.

This strengthening of I.C.L.'s position is significant at a time when, under the direction of the Soviet Union, the east European countries are tending to standardize on computers derived from the IBM 360 series. An agreement was signed in Moscow last month by eight Comecon countries for the joint development of a family of computers known as R/AD and modelled on the current IBM range.

The licensing agreement with I.C.L. permits use unrestricted use of all 1900-series software. This includes the George operating systems, compilers, utility programmes and standard data



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On the hardware side, the specifications of the 1304 are much more basic than those of the I.C.L. 1904, its closest parallel. Peripheral equipment, also, is restricted. The line printer made under licence from I.C.L. is relatively slow, at 600 lines per minute.

The Polish machine uses the standard I.C.L. interface. This means that all I.C.L. peripherals can be linked to the machine, and also that existing I.C.L. installations in east Europe can be expanded with the cheaper Polish peripherals. Data-linking between the 1304 and the 1900 series can also be accomplished without problems.

New ICL system for East Europe

London Times Aug 4 1970

A new computer model, aimed specifically at the east European market, has been launched by International Computers. Called the System 4/62, the model has already created widespread interest and it is likely that most future orders from Comecon countries will be for this machine.

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This factor is highly significant in the east European market, and particularly in Russia, where the need is primarily for large systems which are used to deal with applications concerning economic simulation and central planning. The difficulty is not in selling these systems but in obtaining export licences.

I.C.L. can already claim a degree of success in obtaining licences for its large machines. It recently delivered two 4/70s to the Institute of Management Control and Gosplan, the central economic planning authority in Moscow.

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The Financial Times Friday July 31 1970

COMPUTERS

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Recently, however, there have been signs that the tide is turning against ICL, just when the company's marketing effort was really gathering momentum. The total value of ICL equipment sold to Eastern Europe, including Russia and Yugoslavia, is estimated at around £32m. Of this, Russia has contributed £12m., while the rest has been spread widely over the smaller countries, ranging from £7m. in Czechoslovakia to £1m. in Romania.

Further analysis of these figures reveals two significant factors. In the first place, sales in 1969 came to £15m.—nearly half the total—of which £8m. was in Yugoslavia and the smaller Comecon countries, the rest in Russia. Secondly, sales in the first nine months of ICL's present financial year suggest that the 1970 total (at the end of September) will be less than 20 per cent. of last year's.

Sales drop

The main reason for this drop has been increased competition in the satellite countries from several manufacturers, resulting in some dramatic sales achievements. France's Compagnie Internationale pour l'Informatique has sold nine of its new, medium-scale Iris 50 machines to Romania—normally one of the smallest spenders—and has followed this up by granting the Romanians a licence to manufacture the Iris 50. This has brought ICL activities there to a standstill.

Britain's ICL was the first computer manufacturer to find a market in Eastern Europe, and now has a substantial lead there. But fast growing competition has this year produced a dramatic drop in ICL's Comecon sales. Ivan Berenyi reports on the situation, and on the steps ICL is now taking.

In Bulgaria, the Japanese, who have been gathering strength in Eastern Europe for some time, had their first success with the sale of 20 Facom 270/30 computers made by Fujitsu, and are also reported to be negotiating a licence agreement. In Hungary, the French CII is again leading the field with two of its smaller machines, the EMG 830 and 810, manufactured locally under licence.

Everywhere ICL finds itself under new pressure—from Siemens in Hungary and Czechoslovakia, from Univac in Yugoslavia and Czechoslovakia, from the Control Data Corporation in East Germany and even in Poland, where ICL had granted a software licence to the ELWRO state plant in Wroclaw, the Japanese are involved in large-scale negotiations.

The biggest threat of all comes, predictably, from IBM, which has moved in with a vengeance and now leads the market in Yugoslavia and East Germany while also being ahead of the British manufacturer in Romania and Bulgaria. This sudden reverse is really no fault of ICL's—with a sales force of 118 in East Europe, compared with 20 in Russia, sales are running more or less neck-and-neck in the two areas. The real reasons are that the Comecon countries are eager for IBM machines partly because they are developing a similar range of their own.

USSR hopes

As a result, ICL's hopes must be increasingly vested in the Russian market, and accreditation will presumably lead to an increase in the sales force there. ICL's success depends to a large extent on its ability to sell large machines to the Russians. The difficulty is not in selling the computers—Russia has an enormous demand for powerful computers—but in obtaining export licences in the face of present COCOM embargoes.

In Russia, the situation is entirely different. ICL's favoured trading position will make life easier in a lot of ways, but particularly in its relation with Mashpriborintorg, the central Russian import/export agency.

Most of the USSR's major organisations are eager to buy computers, but to make the best use of its resources ICL must devote its attention to those which actually have the currency to spend. To ensure this, good relations with Mashpriborintorg and the Ministry of Foreign Trade are essential.

ICL's special trading status is also significant because of the particular nature of the computer industry, and the granting of this status reflects Russia's urgent need for Western computers as much as ICL's success in the Russian market.

Indeed, so far ICL has had to face no major competition in Russia. But how long will this continue, and how soon will the Russians be able to satisfy their own needs with domestic products?

According to Ralph Land, who

is manager of ICL's USSR branch, the Russians have repeatedly emphasised that, although they are willing to purchase computers from ICL, they are aiming to satisfy their own requirements in the long run. In the meantime, ICL is confident of ample sales for a considerable period, since the Russian development programme is progressing slowly and, even when the new machines are in production, it will take some time for them to provide an acceptable alternative to ICL's well-established ranges.

Ralph Land is convinced that while pressing ahead with the production of third generation computers, the Russians will also step up the production of existing second generation machines such as the Minsk series and the Besm-6. There have been no attempts to phase these out.

Competition from the West, says Mr Land is at present mostly confined to two concerns—Siemens and Bull-GE. Siemens has only one marketing man in Russia, who represents the full range of Siemens products.

from two smaller XDS machines."

The rest of the field is made up by Japanese manufacturers—Hitachi, Toshiba and Nippon Electric—who, Ralph Land feels, will certainly make an impression in due course, particularly in the Soviet Far East. Their handicap is sheer physical distance and their present dependence on American technology. The only known sale to date has been by Nippon Electric, which has installed a medium-sized NEAC 2200-1200 computer at a refrigeration plant in north-western Lithuania.

Whatever challenge the future brings, ICL is in a uniquely strong position in the USSR to meet it. The competition will certainly grow, but, as Ralph Land points out, "the company has accreditation, good equipment compatible with Russia's long-term aims, a remarkable sales total of just below 30 machines and a competent sales and support team which will now be considerably enlarged."

Challenge

The company has one computer installation in the country, at Moscow's Institute of Automation, where a number of systems people are working "on contract," but they are not concerned with extending the market, only with implementation.

Mr. Land feels that a stronger challenge is represented by Bull-GE, who can expect some help from the extensive Russo-French scientific co-operation projects. The merger between GE and Honeywell's computer interests could also have an effect. "Honeywell did not want to go to Russia," says Land, "but the merger could well take them in and we expect increased competition from the tie-up." Sales total three machines, two GE 425s and a 435.

As for the wholly American companies, there seems to be little to fear at present, though Ralph Land says he has also heard the persistent rumour that 200 IBM machines are on order. "We tend to discount it, but we might just wake up one day to find it's true. Certainly, if they match the effort they have been making in East Europe, they will be immediately felt."

And apart from IBM? "We know that the Russians have visited the U.S., and went to see Burroughs, CDC and Univac. We also know that negotiations with Burroughs reached an advanced stage, but there is no clear-cut evidence of sales so far, apart

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16 DEC 1970

C O N F I D E N T I A L LONDON 10358

SUBJECT: UK COMPUTER SYSTEM TO USSR (SERPUKHOV)

REF: LONDON 10353

1. UNDER HEADLINE "HEATH DEFIES US TRADE BAN", FOLLOWING ARTICLE APPEARED ON FRONT PAGE QUALITY NEWSPAPER "GUARDIAN" MORNING DECEMBER 16.

A. "THE PRIME MINISTER WILL URGE PRESIDENT NIXON TO CALL OFF AMERICAN EFFORTS TO BLOCK A 6 MILLIONS POUNDS BRITISY COMPUTER DEAL WITH MOSCOW, IT WAS REPORTED YESTERDAY IN THE UNITED STATES. THIS MOVE COMES SHORTLY BEFORE MR. HEATH'S SCHEDULED DEPARTURE FOR CONFERENCES IN OTTAWA AND WASHINGTON WITH MR. TRUDEAU AND PRESIDENT NIXON.

B. " IN BRITAIN SPOKESMEN FOR THE PRIME MINISTER AND THE DEPARTMENT OF TRADE AND INDUSTRY HAVE BEEN UNABLE TO CONFIRM THE REPORTS.

C. " THE SALE OF TWO COMPUTERS FOR A SOVIET NUCLEAR PHYSICS CENTRE IS AT STAKE. THE DEAL HAS BEEN UNDER NEGOTIATION FOR ABOUT A YEAR BY INTERNATIONAL COMPUTERS LTD.

D. " THE AMERICAN REPORTS SAY THE US HAS OBJECTED ON THE

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PAGE 02 LONDON 10353 161002Z

GOODS THAT THE SALE WOULD BREACH RULES FOR WITHHOLDING WAR-POTENTIAL GOODS AND MACHINES FROM COMMUNIST COUNTRIES, AND WOULD VIOLATE US NATIONAL TRADING RULES BECAUSE THE COMPUTERS CONTAIN COMPONENTS MADE IN THE US. THE BRITISH SPOKESMAN SAY MR. HEATH DISPUTES BOTH ARGUMENTS.

E. "ICL HAS ALREADY SOLD 3.6 MILLION POUNDS WORTH OF COMPUTERS TO RUSSIA THIS YEAR, INCLUDING A 2 MILLION POUNDS ORDER IN JUNE.

F. "THE COMPANY HAS TO GET EXPORT LICENCES FOR SALES TO RUSSIA IN ACCORDANCE WITH NATO RULES. COMPUTERS UP TO A CERTAIN SIZE HAVE BEEN ALLOWED WITHOUT TROUBLE, BUT THE 6 MILLION POUNDS ORDER IS FOR SOME OF ICL'S BIGGEST MACHINES, OVER-STEPPING A DELICATE AND ILL-DEFINED SIZE BOUNDARY.

G. "ICL HAS BEEN TRYING TO PUSH UP THIS LIMIT -- THE JUNE SALE INCLUDED TWO QUITE LARGE MACHINES OF THE 4/70 TYPE. BUT THE US ATTITUDE HAS HARDENED IN THE PAST FEW MONTHS. IT RECENTLY BLOCKED A SALE OF OIL REFINERY EQUIPMENT BY AN AMERICAN COMPANY.

H. "ICL COMPLAINED TO A COMMONS COMMITTEE IN THE SPRING ABOUT THE LENGTH OF TIME IT WAS TAKING TO GET PERMISSION TO EXPORT COMPUTER EQUIPMENT TO COMMUNIST COUNTRIES." GP-E GREENE

CONFIDENTIAL

UPI, 16 OCT 1970

UPI-133

(COMPUTERS)

MOSCOW--IZVESTIA SAID TODAY THE UNITED STATES HAD VETOED THE SALE OF COMPUTERS BY A BRITISH FIRM TO THE SOVIETS AND DESCRIBED THIS AS A "COLD WAR" EMBARGO THAT UPSET BRITISH BUSINESSMEN.

"INTERNATIONAL COMPUTERS LTD., AGREED WITH THE SOVIET FOREIGN TRADE ORGANIZATION ON THE SALE TO THE SOVIETS OF TWO BRITISH COMPUTERS FOR SCIENTIFIC PURPOSES, BUT THE DEAL RAN INTO WASHINGTON'S OPPOSITION," IZVESTIA SAID.

IT SAID THE BRITISH COMPUTERS CONTAINED SOME U.S.-PRODUCED PARTS, GIVING THE AMERICANS A "PRETEXT" FOR INTERFERENCE ON THE BASIS OF WESTERN AGREEMENTS TO EMBARGO STRATEGIC GOODS FROM SOVIET BLOCK-TRADE.

"THERE IS NO NEED TO MENTION THAT WASHINGTON'S EMBARGO LOOKS THESE DAYS LIKE A HOLDOVER OF THE COLD WAR PERIOD," IT SAID.

"WASHINGTON'S EFFORTS TO PREVENT BRITISH COMPANIES FROM THE SALE OF COMPUTERS HAS CAUSED SERIOUS DISCONTENT IN BRITISH BUSINESS CIRCLES."

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200202 7.14.55 1970

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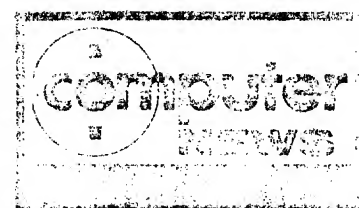
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